

## Message Text

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12

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

OMB-01 CIEP-01 EB-07 TRSE-00 COME-00 /068 W

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R 201550Z MAR 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2843

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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FROM MAESTRONE

E.O. 11652: NA

TAGS: USEGJC: EAID EINV

SUBJECT: JWG ON ECONOMIC AND FINANCIAL COOPERATION: TAX TREATY

REF: CAIRO 2873

1. IN MINI-JWG MEETING DESCRIBED REFTTEL, DCM ASKED FOR STATUS OF GOE'S CONSIDERATION OF DRAFT TAX TREATY. UNDERSEC HABIB OF MINFIN PROVIDED BRIEF RESUME OF DEVELOPMENTS IN GOE CONSIDERATION OF DRAFT. HE SAID THAT, AS RESULT OF NOVEMBER MEETINGS AND SUBSEQUENT REVISION OF DRAFT, "MOST OF PROBLEMS" HAVE BEEN RESOLVED AND NEW TEXT (I.E. SECOND DRAFT) COULD SERVE AS BASIS FOR AGREEMENT. HE SAID IT WOULD BE NECESSARY TO HOLD FURTHER MEETING BETWEEN TWO DELEGATIONS IN ORDER TO WORK OUT ANY REMAINING DIFFICULTY AND REQUESTED THAT US TEAM COME TO CAIRO.

2. HABIB STRESSED NEED TO AVOID PROBLEM WHICH DEVELOPED IN 1960, WHEN CONGRESS REFUSED TO APPROVE SIMILAR TREATY WHICH HAD BEEN INITIALED BY BOTH PARTIES AND RATIFIED BY GOE. DIFFICULTY THEN, ACCORDING TO HABIB, WAS MATTER OF USG  
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TAXATION OF PROFITS EARNED BY AMERICAN COMPANIES

OPERATING IN EGYPT BUT EXEMPTED FROM EGYPTIAN TAXATION UNDER INVESTMENT LAW IN EFFECT IN 1960. SAME PROBLEM EXISTS WITH RESPECT TO NEW INVESTMENT LAW 43, WHICH GRANTS FIVE-YEAR HOLIDAY FROM EGYPTIAN TAXES. SINCE PURPOSE OF HOLIDAY IS TO ENCOURAGE INVESTMENTS, US TAXES ON EXEMPTED AMOUNTS OF PROFIT NEGATES INCENTIVE AND AT SAME TIME INCREASES USG TAX REVENUES AT EXPENSE OF GOE. WHILE THERE WAS NO INDICATION THAT GOE PREPARED TO GIVE ON THIS ISSUE, HABIB SUGGESTED THAT A MEETING WOULD BE BEST WAY TO DETERMINE POSSIBILITY OF AVOIDING APPARENT IMPASSE. HE WAS ALSO MOST CONCERNED THAT US DELEGATION BE IN A POSITION TO REPORT ON LIKELIHOOD OF CONGRESSIONAL APPROVAL OF ANY NEW AGREEMENT INITIALED.

3. COMMENT: HABIB'S PRINCIPAL CONCERN APPEARED TO BE POSSIBILITY OF AGAIN FAILING TO HAVE FINAL AGREEMENT APPROVED. AMIN, SUWEILEM, LOUTFY AND EFFACT, ON OTHER HAND, WERE FAR MORE CONCERNED WITH IMPACT ON TAX TREATY, OR LACK OF ONE, ON INVESTMENTS WHICH IS IMPORTANT ISSUE FOR GOE. END COMMENT.

4. EMBASSY IS NOT REALLY IN POSITION TO EVALUATE UTILITY OF SENDING NEGOTIATING TEAM TO CAIRO AT THIS POINT. IF WASHINGTON AGENCIES FEEL THAT OBSTACLE OF PROFIT TAXATION CAN BE OVERCOME BEST AT NEGOTIATING TABLE WITHOUT FURTHER LONG RANGE EXCHANGES, THEN EMBASSY WOULD RECOMMEND AN AFFIRMATIVE RESPONSE TO HABIB'S REQUEST. WHILE WE TOLD HABIB THAT WE COULD GIVE NO PRIOR ASSURANCE OF CONGRESSIONAL APPROVAL OF ANY DOCUMENT THAT MIGHT BE INITIALED, WE FELT CERTAIN THAT CONSULTATIONS WOULD HAVE BEEN TAKEN WITH APPROPRIATE CONGRESSIONAL COMMITTEES BEFORE AUTHORIZATION FOR SIGNATURE WOULD BE GIVEN.

5. IF WASHINGTON DECISION IS AFFIRMATIVE, EMBASSY REQUESTS AS MUCH ADVANCE NOTICE AS POSSIBLE IN ORDER TO COORDINATE WITH EGYPTIANS, AND PARTICULARLY TO SECURE HOTEL ACCOMMODATIONS IN WHAT IS ALMOST IMPOSSIBLE SITUATION HERE.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Concepts:** ECONOMIC COOPERATION, TAX AGREEMENTS, COMMITTEES  
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**Draft Date:** 20 MAR 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** johnsorg  
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**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**To:** STATE  
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